

Message Text

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72

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 EA-11 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03

LAB-06 NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-02

SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03

FEA-02 OMB-01 SWF-02 XMB-07 DRC-01 /212 W

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P R 151738Z MAY 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 4805

AMCONSUL FLORENCE

AMCONSUL GENOA

AMCONSUL MILAN

AMCONSUL NAPLES

AMCONSUL PALERMO

AMCONSUL TRIESTE

AMCONSUL TURIN

INFO USMISSION GENEVA

USMISSION EC BRUSSELS

USMISSION NATO

US MISSION OECD PARIS 9311

UNCLAS ROME 6722

E.O. 11652 N/A

TAGS: EFIN, ETRD, IT

SUBJ: IMPORT DEPOSITS - NON AGRICULTURAL SECTOR

REF: ROME: 6492 AND PREVIOUS

MILAN PASS TRADE CENTER

DEPARTMENT PASS USDOC

SUMMARY. CONFINDUSTRIA PLANNING TO APPEAL TO GOI TO EASE

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50 PERCENT PRIOR IMPORT DEPOSIT SYSTEM AND SEEKS DETAILED INFO

FROM IMPORTERS TO REMOVE GOODS CONSIDERED ESSENTIAL TO ITALIAN INDUSTRY. THOUGH EMBASSY PLANS NO OFFICIAL DEMARCHE', IT IS READY TO BE OF ASSISTANCE, WORKING WITH CONFINDUSTRIA AND AMCHAMBER, AMONG OTHERS, TO MINIMIZE ADVERSE EFFECTS ON US EXPORTERS.
END SUMMARY

1. AS REPORTED IN ROME 6492 MANY IMPORTERS AND ASSOCIATIONS ARE MAKING STRONG PROTESTS TO THE GOI DEMANDING EASING OF PRIOR IMPORT DEPOSIT SYSTEM. EMBASSY AND CONSULATES RECEIVING CALLS AND VISITS FROM WIDE VARIETY OF IMPORTERS AFFECTED, RANGING FROM BUYERS OF MEDICAL HYPODERMICS TO DISTRIBUTORS OF BUSINESS EQUIPMENT. CONFINDUSTRIA, IMPORTANT NATION-WIDE ASSOCIATION OF INDUSTRIALISTS AND DISTRIBUTORS, IS PREPARING DOCUMENTATION FOR SUBMISSION TO GOI URGING A REVISION OF THE LIST OF ITEMS SUBJECT TO IMPORT DEPOSITS TO EXCLUDE GOODS ESSENTIAL TO INDUSTRY. CONFINDUSTRIA OFFICIAL RESPONSIBLE FOR PROJECT, DR. MASSIMO NALDINI, OFFICE DIRECTOR, SEEKING A FULL JUSTIFICATION OF CLAIMED DAMAGES DUE TO UNAVAILABILITY OF ITEM IN ITALIAN MARKET AND LIKELY EFFECTS OF ITS ABSENCE ON PRODUCTIVITY, EMPLOYMENT, ETC. HE WOULD APPRECIATE RECEIVING DIRECTLY FROM IMPORTERS THE PRECISE IDENTIFICATION OF ITEM WITHIN APPROPRIATE ITALIAN TARIFF TERM CLASSIFICATION AND JUSTIFICATION FOR EXEMPTION. US FIRMS AFFECTED BY REGULATION SHOULD INFORM THEIR ITALIAN IMPORTERS AND DISTRIBUTORS. AMCHAMBER OF COMMERCE OF ITALY HAS BEEN APPRISED BY EMBASSY OF CONFINDUSTRIA PROPOSAL, AND CHAMBER TENTATIVELY PLANS TO COORDINATE WITH NALDINI ON AFFECTED ITEMS IMPORTED BY MEMBERS. EMBASSY HAS ALSO BEGUN REFERRING LOCAL INQUIRERS TO CONFINDUSTRIA.

2. MANY ASPECTS OF REGULATION STILL UNCLEAR. FOR EXAMPLE GOI PUBLICLY INDICATED POSSIBILITY OF FOREIGN FINANCING OF IMPORT DEPOSITS BUT SUBSEQUENTLY RESTRICTED FREEDOM OF ITALIAN BANKS TO GUARANTEE SUCH CREDITS. PRIVATE BANKS INFORM US THAT BANK OF ITALY IS NOW DISCOURAGING NEW FOREIGN BORROWING BY COMMERCIAL BANKS, INDICATING THAT PRIORITY IS BEING GIVEN TO TIGHTER DOMESTIC LIQUIDITY (AND REDUCTION IN IMPORTS) OVER IMMEDIATE BALANCE OF PAYMENTS CONSIDERATIONS. FACED WITH THIS PROBLEM, SOME ITALIAN IMPORTERS HAVE ENCOURAGED FOREIGN SUPPLIERS TO PROVIDE THEM WITH DIRECT CREDIT FOR HALF THE CIF VALUE OF MERCHANDISE. PRACTICE SEEMS TO BE DEVELOPING BETWEEN LARGE, WELL-ESTABLISHED IMPORTERS AND DISTRIBUTORS AND SIZEABLE AMERICAN EXPORTERS.
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ANOTHER ISSUE, AS YET UNRESOLVED, CONCERNS IN TRANSIT MERCHANDISE FROM US WHICH IS SUBJECT TO REGULATION. AMCHAMBER EXPRESSED CONCERN OVER PROBLEM AND EMBASSY WILL BE DISCUSSING THIS MATTER IN MEETING SOON WITH AMCHAMBER OFFICERS TO DISCUSS ISSUE AND HOW IT CAN BE BEST RESOLVED WITH GOI. PROBLEMS ARE FURTHER COMPLICATED BY FACT THAT INTERPRETATION OF WHAT ITEMS ARE OR ARE NOT WITHIN THE RESTRICTED CATEGORIES IS LEFT TO LARGE DEGREE TO DISCRETION OF INDIVIDUAL CUSTOMS OFFICERS.

3. ANOTHER DIFFICULTY IS THAT PROTECTION AGAINST EXCHANGE RISK NOT READILY AVAILABLE IN ITALY THROUGH FORWARD COVER. IN PRACTICE IMPORTER WILL IN ALMOST ALL CASES HAVE TO BEAR RISK ON CREDIT ADVANCED BY FOREIGN SUPPLIER.

4. IN TRYING TO BE HELPFUL TO IMPORTERS OF AMERICAN EQUIPMENT EMBASSY HAS SUGGESTED THAT THEY ALSO WORK CLOSELY WITH ALL LOCAL ASSOCIATIONS INCLUDING CONFINDUSTRIA OR, WHERE THEY HAVE GOOD CONTACTS, TO APPROACH APPROPRIATE MINISTRIES DIRECTLY FOR RELIEF. EMBASSY HAS ALSO SUGGESTED TO AMCHAMBER, THAT, IN ADDITION TO WORKING WITH CONFINDUSTRIA (AND SHOULD THE CHAMBER WISH US TO DO SO) EMBASSY COULD USE ITS GOOD OFFICES TO OBTAIN APPOINTMENTS FOR AMCHAMBER GROUP WITH GOI OFFICIALS RESPONSIBLE FOR IMPLEMENTATION OF NEW MEASURE (E.G., MINISTER OF FOREIGN TRADE, MATTEOTTI). AT SAME TIME, HOWEVER, EMBASSY HAS CAUTIONED INQUIRERS THAT, PENDING INTERPRETATION AND INSTRUCTIONS FROM WASHINGTON TO THE CONTRARY, MEASURES THUS FAR APPEAR TO BE NON-DISCRIMINARY AND TEMPORARY IN NATURE, WHILE LEGALITY UNDER GATT IS UNDER STUDY IN GENEVA. WE THEREFORE PLAN TO MAKE NO FORMAL APPROACHES TO GOI TO SEEK RELIEF UNLESS WE HAVE EVIDENCE OF DISCRIMINATORY PRACTICES. ALSO WE ARE FOLLOWING AND WILL INVESTIGATE ANY REPORTS THAT OTHER GOVERNMENTS ARE MAKING SPECIAL ARRANGEMENTS TO FINANCE IMPORT DEPOSITS AT SUBSIDIZED INTEREST RATE OR ARE PROVIDING ADVANTAGEOUS INSURANCE AGAINST EXCHANGE RISK. (FYI WE HAVE, HOWEVER, EXPRESSED OUR CONCERN OVER EFFECTS ON OUR EXPORTS INFORMALLY TO OFFICERS AT MINFOREIGN AFFAIRS AND WITHIN MINISTRIES THAT HAVE INTEREST IN USING US EQUIPMENT, SUCH AS MINISTRY OF POST AND COMMUNICATIONS). SUGGEST CONSULATES BE GUIDED BY FOREGOING IN HANDLING REQUESTS FOR ASSISTANCE.VOLPE

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